

BTR INTERNATIONAL LIMITED**REPORT OF THE DIRECTORS**

The directors present their report and the audited accounts for the period ended 31 December 1986.

PRINCIPAL ACTIVITY AND RESULTS

The company did not trade during the period but took credit for dividends from subsidiaries of £18,248,000 (1985 £34,297,000). The company will continue to act as a holding company. The directors do not recommend the payment of a dividend (1985 £27,600,000).

DIRECTORS

The following served as directors during the period:

Sir Owen Green (Chairman)
Mr N C Ireland
Mr J C Cahill
Mr P Fatharly
Mr A R Jackson
Mr H W Laughland
Mr E E Sharp
Mr L J Stammers

DIRECTORS' INTERESTS

None of the directors have any interests in the shares of the Company. All directors in office at 31 December 1986 are directors of BTR plc, the holding company, and their interests in the shares of that company are disclosed in its accounts.

SUBSIDIARIES

The Company made cash injections into a subsidiary in exchange for shares. The BTR Group's interests in its European subsidiaries were reorganised and the Company's investment in its Dutch subsidiary was increased. Since the 31 December 1986 the Company's interests in its USA subsidiaries have been sold to its new USA holding company in exchange for shares.

SHAREHOLDERS' INTERESTS

All the shares of the company are held by BTR plc save that the secretary holds one share jointly with that company as a nominee.

AUDITORS

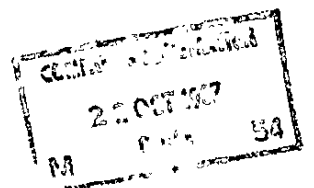
In accordance with Section 384 of the Companies Act 1985, a resolution proposing the reappointment of Ernst & Whinney as auditors of the company will be put to the members at the Annual General Meeting.

By Order of the Board



D F P Sharrock
Secretary

Silvertown House, Vincent Square, London SW1P 2PL
11 March 1987



REPORT OF THE AUDITORS TO THE MEMBERS OF

BTR INTERNATIONAL LIMITED

We have audited the accounts set out on pages 3 to 8 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1986 and of the profit for the period then ended and comply with the Companies Act 1985.

The accounts do not specify the manner in which the operations of the company have been financed or in which its financial resources have been used during the year as required by Statement of Standard Accounting Practice No 10.



Ernst & Whinney
Chartered Accountants
London

11 March 1987

BTR INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 1986

	Note	1986 £'000s	1985 £'000s
Net operating income	2	28	101
Investment income	3	<u>18,929</u>	<u>34,889</u>
Profit on ordinary activities before taxation		18,957	34,990
Taxation	4	<u>(16,827)</u>	<u>(7,349)</u>
Profit after taxation		2,130	27,641
Extraordinary items	5	<u>261</u>	<u>(740)</u>
Profit for the financial year		2,391	26,901
Dividend proposed		-	(27,600)
Retained profit/(loss) for the financial year	13	<u>£ 2,391</u>	<u>£ (699)</u>

BTR INTERNATIONAL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1986

	Note	1986 £'000s	1985 £'000s
Fixed Assets			
Investments			
Group companies	6	914,005	463,214
Shares in related companies	7	62	13,487
Other investments	8	44	44
		<u>914,111</u>	<u>476,745</u>
Current Assets			
Debtors	9	<u>50,610</u>	<u>69,869</u>
Creditors			
Amounts falling due within one year	10	<u>317,676</u>	<u>163,037</u>
Net current liabilities		<u>(267,066)</u>	<u>(93,168)</u>
Total assets less current liabilities		647,045	383,577
Creditors			
Amount falling due after more than one year	11	598,436	337,840
Provisions for liabilities and charges	12	<u>3,017</u>	<u>3,828</u>
		<u>£45,592</u>	<u>£41,909</u>
Capital and Reserves			
Called up share capital: Authorised and issued 600,000 Ordinary Shares at £1 each fully paid		600	600
Reserves	13		
Share premium account		1,677	1,677
Revaluation reserve		1,292	
Profit and loss account		<u>42,023</u>	<u>39,632</u>
		<u>£45,592</u>	<u>£41,909</u>

Approved by the Board on 11 March 1987

.....
Owen Green (Director)

.....
N C Ireland (Director)

BTR INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting Convention

The accounts have been prepared under the historical cost convention.

(b) Deferred Taxation

Provision for deferred taxation is made on dividends and interest accrued but not received at the year end.

(c) Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the rates ruling on 31 December 1986. Unrealised exchange differences arising on translation are taken to reserves, except to the extent that losses are not covered by accumulated currency revaluation reserves, when they are dealt with as an extraordinary item through the profit and loss account. Realised differences arising on long term loans are included in extraordinary items. Differences arising on trading operations and short term monies are included in profit before taxation.

2. NET OPERATING INCOME

	1986 <u>£'000s</u>	1985 <u>£'000s</u>
Operating income	30	110
Operating charges	(2)	(9)
	<u>28</u>	<u>101</u>
Operating charges are stated after charging:		
Auditors remuneration	<u>1</u>	<u>2</u>

3. INVESTMENT INCOME

Income from shares in group companies	18,248	34,297
Income from other fixed asset investments	8	3
Interest received from group companies	673	589
	<u>18,929</u>	<u>34,889</u>

4. TAXATION

UK Corporation Tax at 36.25% (1985 41.25%)	16,571	6,057
Les: Double Tax Relief	15,683	5,895
	888	162
Overseas Taxation	15,683	5,895
Deferred Taxation	256	1,292
	<u>16,827</u>	<u>7,349</u>

BTR INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (continued)

5. EXTRAORDINARY ITEMS

	1986 £'000s	1985 £'000s
Deficit in currency reserves	-	(740)
Realised exchange gains	263	-
Other	(2)	-
	<u>261</u>	<u>(740)</u>

6. GROUP COMPANIES

Cost of shares		
Beginning of year	457,393	433,366
Cash injections	33,187	25,108
Purchase of minority interest	93	-
Purchased from fellow subsidiaries	261,476	-
Other additions	-	19
Reorganisation of European subsidiaries	416,004	-
Sold to fellow subsidiary	<u>(260,000)</u>	<u>(1,100)</u>
End of year	908,153	457,393
Loans	5,852	5,821
	<u>914,005</u>	<u>463,214</u>

At 31 December 1986 the company had the following principal investments in group companies:-

	Country of Incorporation	Class of Share	Percentage Held
BTR Inc	USA	Ordinary	20
BTR Australia Ltd	Australia	Ordinary	100
BTR Finance BV	Netherlands	Ordinary	100
BTR Dunlop Inc	USA	Ordinary	100
BTR Holdings Inc	USA	Ordinary	100
BTR Singapore Pte Ltd	Singapore	Ordinary	100
BTR Dunlop Ltd	South Africa	Ordinary	53
Matrasur	France	Ordinary	100
Permali Do Brasil Ltda	Brazil	Ordinary	100
Thomas Tilling Inc	USA	Ordinary	100

In the opinion of the directors the value of the company's investments in group companies is not less than the amount at which they are stated in the balance sheet. The remaining 80% of BTR Inc is owned by Silvertown Holdings Inc, a wholly owned subsidiary of BTR Holdings Inc.

Since 31 December 1986 the Company has sold its interest in its USA subsidiaries to BTR Dunlop Inc in exchange for shares.

Group accounts have not been prepared because the company is a wholly owned subsidiary of BTR plc, a company incorporated in Great Britain.

BTR INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****7. RELATED COMPANIES**

	1986 £'000s	1985 £'000s
Cost		
Beginning of year	13,487	13,661
Capital reduction	(129)	-
Sold to fellow subsidiary	(13,296)	(174)
	<u>62</u>	<u>13,487</u>

At 31 December 1986 the company had the following investment in related companies.

	Country of Incorporation	Percentage Held
Novatuft BV	Netherlands	30

This investment is stated at cost.

8. OTHER INVESTMENT

	1986 £'000s	1985 £'000s
Listed at Cost	4	4
Unlisted at Cost	40	40
	<u>44</u>	<u>44</u>
Market value of listed	4	4
Directors' valuation of unlisted investments	<u>40</u>	<u>40</u>

9. DEBTORS

Other debtors	-	8
Amounts due by group companies	45,840	69,861
Taxation recoverable	4,770	-
	<u>50,610</u>	<u>69,869</u>

10. CREDITORS - amounts falling due within one year

Amounts owed to group companies	305,968	124,120
Taxation	11,707	11,315
Dividends	-	27,600
Other creditors	1	2
	<u>317,676</u>	<u>163,037</u>

11. CREDITORS - amounts falling due after more than one year

Amounts due to group companies	<u>598,436</u>	<u>337,840</u>
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BTR INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (continued)

12. PROVISION FOR LIABILITIES AND CHARGES

	1986 £'000s	1985 £'000s
Deferred taxation		
Beginning of year	3,828	4,632
Profit and loss account	256	1,292
Transfer to current taxation	(992)	
Currency fluctuations	(75)	(497)
	<u>3,017</u>	<u>3,828</u>

If the loan stock in subsidiary were sold for its book value there would be a liability to tax on the gain.

13. RESERVES

	Share Premium Account £'000s	Currency Revaluation Reserves £'000s	Profit and Loss Account £'000s
Beginning of year	1,667	-	39,632
Currency fluctuations	-	1,292	-
Retained	-	-	2,391
End of year	<u>1,677</u>	<u>1,292</u>	<u>42,023</u>

14 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is BTR plc, a company incorporated in Great Britain.

15 CONTINGENT LIABILITIES

	1986 £'000s	1985 £'000s
Guarantees of overdrafts and loans of subsidiary and related companies	<u>6,050</u>	<u>9,014</u>